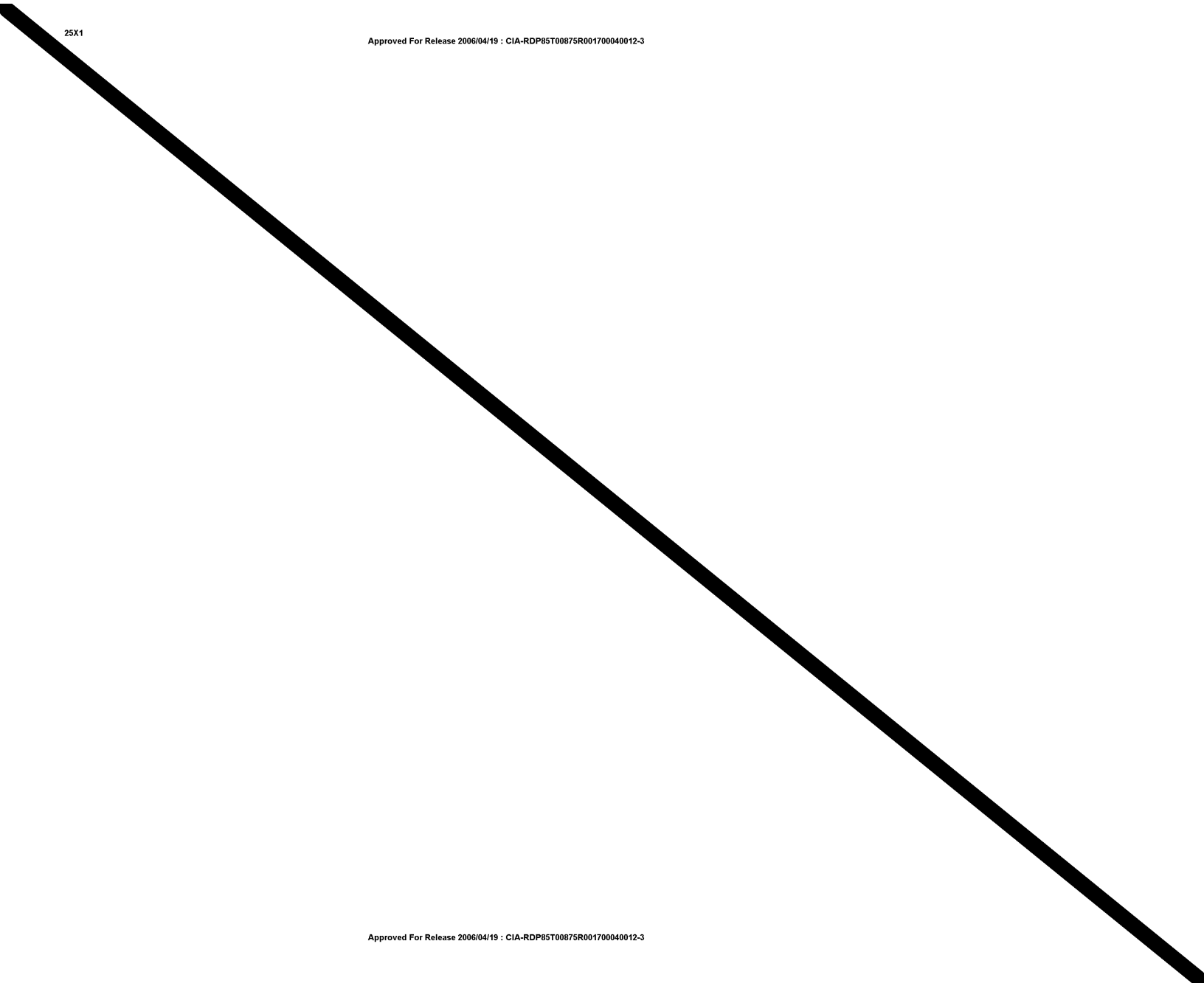

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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Eastern Europe: A Mid-Harvest Evaluation of 1972 Grain Prospects

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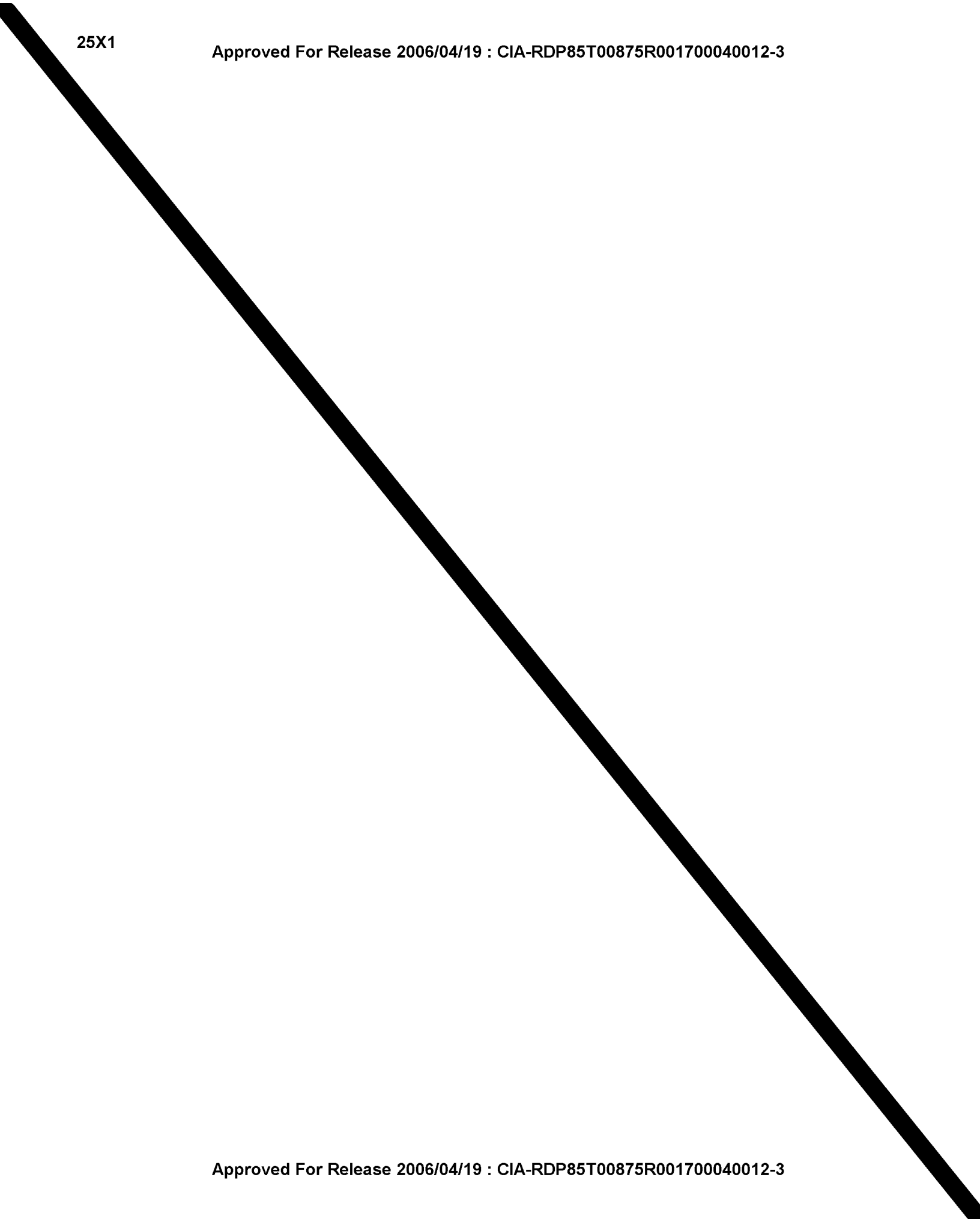

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
August 1972

INTELLIGENCE MEMORANDUM

EASTERN EUROPE: A MID-HARVEST EVALUATION OF 1972 GRAIN PROSPECTS

Introduction

1. This memorandum summarizes the development of grain and forage crops in Eastern Europe(1) through July, and provides preliminary estimates of grain production for the area.(2) It also forecasts the region's likely demand for imported grain during the current fiscal year (FY) 1973.

Conclusions

2. The preliminary estimate of grain production in Eastern Europe for 1972 is about 10% below the record 81.5 million metric tons produced last year. In the northern countries the grain harvest may be down 6%, whereas a decrease of about 11% is forecast for the southern countries. This estimate is subject to more than a normal degree of uncertainty because prolonged poor harvesting weather in Hungary and the northern countries could result in additional losses in the quantity as well as the quality of the grain crops.

3. For the area as a whole, however, the smaller outturn of feed grain should be offset by increased output of other sources of livestock feed – potatoes, fodder roots, and forage crops – for which prospects are

1. The terms *Eastern Europe* and *East European countries* include the northern countries of Czechoslovakia, East Germany, and Poland, and the southern countries of Bulgaria, Hungary, Romania, and Yugoslavia.
2. The memorandum updates an April appraisal of Eastern Europe's grain prospects, which, at that time, were unfavorable because of an extended dry spell.

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Note: This memorandum was prepared by the Office of Economic Research.

excellent in the northern countries and as good as last year's for some southern countries. The overall harvest, therefore, should provide a livestock feed base as good as, if not better than, that of a year ago.

4. Total grain imports by Eastern Europe in FY 1973 are projected at about the same level as last year, some 10 million tons. An expected decrease in demand by the two largest grain importers – East Germany and Poland – will be offset by stepped-up imports by Yugoslavia and Bulgaria. The decline not only in size but also in quality of the bread grain harvest this year will increase the import demand for milling-quality wheat, except perhaps by Bulgaria and Poland. The latter countries are thought to have large carryover stocks of high-quality wheat from the 1971 harvest. The USSR is expected to supply Eastern Europe with about 5 million tons of grain (mostly wheat) in FY 1973, or about the same as FY 1972. A substantial share of the Soviet supply may come from the recent large purchases of US and Canadian grains.

5. Eastern Europe's purchases in Western markets will be mostly for feed grains, if, as expected, the USSR meets East European needs for milling-quality wheat. Although the source of these purchases cannot be fully specified at this early date, an important share will be of US origin. Yugoslavia has already contracted for the import of 800,000 tons of US grain, and the total amount could reach one million tons by the end of FY 1973. East Germany and Poland can be expected to take a combined total of about 600,000 tons of US corn. Also, the United States may be able to compete successfully with Canada, Argentina, and other Western suppliers for a portion of the anticipated additional imports of 3 million to 3-1/2 million tons. The other countries may also enter the US market to help meet their growing needs for oilcakes, meals, and other high protein livestock feed supplements. Rising prices in world markets for grain and protein supplements are not likely to deter the East Europeans from making the purchases needed to support their planned expansion of livestock production.

Discussion

Prospects for Fall-Sown Grain Improve

6. Yield prospects for winter grain (mostly wheat and rye) have recently improved, though expected yields will generally be below the near record levels of 1971. Rains in the northern countries in late April and May came in time to rejuvenate grain plantings throughout the region following a dry winter and partial damage from winterkill. Soil moisture levels, as much as 30% below average on 1 April, were back to normal by the end of June in all the northern countries (see Table 1). In the

Table 1

Eastern Europe: Soil Moisture Reserves
as a Percent of Long-Run Average

Country	1971 10 July	1972 1 April	1972 30 June	1972 10 July
Northern				
Czechoslovakia	98	78	101	93
East Germany	108	70	104	96
Poland	110	70	97	89
Southern				
Bulgaria	103	61	38	36
Hungary	67	54	60	55
Romania	117	85	81	82
Yugoslavia (Vojvodina[a])	77	58	62	58

a. The Vojvodina is the largest grain producing region in Yugoslavia and it usually reflects soil moisture conditions in crop areas to the west.

southern countries rainfall was less abundant. Soil moisture levels declined in Bulgaria and Romania and showed only minor improvements in Hungary and Yugoslavia. The moisture loss was partly the result of a hot, dry spell in late June, which also accelerated the ripening of winter and spring grains in many areas. Nevertheless, the limited precipitation in the southern countries fell during the critical period of winter grain development in late May and early June.

7. Just as the wheat harvest was reaching its peak in the southern countries, hail and heavy rain storms during the second and third weeks of July lodged large areas of unharvested grain in western Hungary, Yugoslavia, and western areas of Romania.(3) These conditions have placed a severe strain on machinery and farmers alike, with higher losses and damaged grain to be expected from untimely harvesting. Wet fields and

3. Lodged grain results when stalks break or bend and form a flattened or tangled mass which is difficult to cut.

lodged grain have delayed harvesting up to three weeks in some areas of Hungary and Yugoslavia. A Hungarian radio broadcast on 24 July said that in the Transdanubian region "the crop has been flattened and the grain has started to sprout. For the first time in ten years harvesting is being done by hand ... ." Unlike the other southern countries, Bulgaria and Romania have had relatively favorable harvesting weather. It was reported that by 22 July the harvesting of small grain in Bulgaria had been largely completed. By the same date in Romania, about 85% of the wheat had been harvested, with yield results equal to those of last year on the same area.(4)

8. In the northern countries, officials in early July were predicting winter wheat and rye yields about equal to the record ones of last year. As in the southern countries, however, Czechoslovakia and Poland were hit in mid-July by heavy rain storms which lodged large areas of grain just before harvest. On 24 July, Czech and Polish officials claimed that of the total grain area 40% and 33%, respectively, were lodged. Both countries have mobilized workers, students, and soldiers to help with the harvest. In Poland, much of the grain has to be cut by scythes. By the end of July, the East German press was also complaining about similar problems. An additional workload has been placed on available harvesting equipment and manpower by the simultaneous ripening of grain within countries, as a result of hot weather. As in the southern countries, delays in harvesting may reduce yields as well as lower the quality of the grain harvested. The high moisture content of the grain presents logistical problems for state procurement agencies which must quickly find facilities to dry wet grain properly in order to prevent further losses in storage.

9. Several factors, however, should tend to offset the impact of adverse weather on winter grain yields and to hold down harvesting losses this year – planting of larger areas to high yielding varieties of wheat and barley, increased application of chemical fertilizers, additions to the tractor and combine fleets, and increased capacity for drying and handling grain. As a result, despite difficult harvesting conditions, 1972 average yields per hectare of winter grains for Eastern Europe as a whole are currently forecast to be above the 1966-70 annual average, although no country is likely to equal the record yields of 1971.

Status of Spring-Planted Grains Mixed

10. An early, dry spring in 1972 permitted the sowing of spring grain – wheat, barley, oats, and corn – to start sooner than usual, but

4. These announced results are surprising, for Romanian officials claimed in May that winter damage to fall-sown wheat would reduce yields. Indeed, in April the Romanians made representations to US officials on two occasions concerning possible purchases of US grain (on concessionary terms) partly to meet an expected shortfall in wheat output.

under relatively poor soil moisture conditions. Partly to compensate for above-average winterkill of fall-sown grains in some countries, the total area sown to spring grains was slightly larger than in 1971. The trend of expanding the areas seeded to barley and corn at the expense of lower yielding oats and miscellaneous grains continued.

11. As the result of timely late April and early May rains, soil moisture levels in the **northern countries** had returned to normal by the end of June, and by mid-July officials in these countries were forecasting near-record yields for spring grain. Since then, however, the adverse weather conditions that plagued the harvest of winter grains have also adversely affected yield prospects for spring grains. Premature ripening and higher harvesting losses are likely to keep yields of barley and oats from attaining last year's high level. On balance, however, assuming a return to normal harvesting conditions in late August and September, spring grain yields in the northern countries are expected to be above average.

12. In the **southern countries**, yield prospects for spring grains are less favorable than for the northern countries. So far, below-normal soil moisture in all the countries except Romania during the growing period portends average or below average yields of barley and oats. In addition, the difficult harvesting conditions discussed above will reduce yields in Hungary and Yugoslavia. Of the southern countries, only Romania is likely to achieve yields equal to the high levels of last year. Similarly, throughout the southern region, yield prospects for the important corn crop -- not harvested until late September – are currently below last year and will deteriorate sharply unless growing conditions improve in August. Rainfall during July, although beneficial to the major corn growing area of Yugoslavia, was not sufficient to eliminate the moisture deficit in the growing areas of Bulgaria and Hungary. Finally, a larger than usual acreage of corn has been damaged by hail storms this year in the southern region.

1972 Grain Production Drops

13. Based on growing and harvesting conditions at the end of July, it is estimated that both bread grain and coarse grain production in Eastern Europe for 1972 may be down about 10% from the bumper year 1971. This level of production, however, would exceed the 1966-70 average by 5% and represent the third largest harvest on record. The smaller grain production reflects lower yields per hectare rather than any significant change in the area to be harvested. As shown on Table 2, grain production in 1972 in the **southern region** may decline more than in the northern region. Output in Bulgaria and Yugoslavia may fall below the 1966-70 annual average level; in Hungary and Romania, output will be above average. This contrasts with the **northern region** where an above-average grain harvest is forecast for each country. Poland, the largest grain producer in Eastern

Table 2

Eastern Europe: Production of Bread Grain[a] and Total Grains[b]

Country and Commodity	Million Metric Tons				1972 as a Percent of 1971
	1966-70[c]	1970	1971[d]	1972[e]	
Northern region					
Czechoslovakia					
Bread grain	3.55	3.63	4.45	4.10	92
Total grain	6.97	7.20	8.81	7.95	90
East Germany					
Bread grain	3.72	3.62	4.24	4.00	94
Total grain	6.90	6.44	7.74	7.20	93
Poland					
Bread grain	11.73	10.04	13.29	12.75	96
Total grain	16.96	16.26	19.83	19.00	96
Subtotal					
Bread grain	19.00	17.29	21.98	20.85	95
Total grain	30.83	29.90	36.38	34.15	94
Southern region					
Bulgaria					
Bread grain	2.94	3.06	3.07	2.60	85
Total grain	6.16	6.70	7.07	5.90	83
Hungary					
Bread grain	3.22	2.87	4.10	3.50	85
Total grain	8.12	7.49	9.64	8.70	90
Romania					
Bread grain	4.75	3.40	5.64	5.50	98
Total grain	12.66	10.57	14.43	13.50	94
Yugoslavia					
Bread grain	4.64	3.92	5.74	4.30	75
Total grain	12.85	11.56	14.01	12.15	87
Subtotal					
Bread grain	15.55	13.25	18.55	15.90	86
Total grain	39.79	36.32	45.15	40.25	89
East European Total					
Bread grain	**34.55**	**30.54**	**40.53**	**36.75**	**91**
Total grain	**70.62**	**66.22**	**81.53**	**74.40**	**91**

a. Wheat and rye.
b. Wheat, rye, barley, oats, corn, and mixtures (East Germany and Poland).
c. Annual average production.
d. Preliminary.
e. Forecast based on information available as of July 1972.

Europe, is currently expected to harvest its second largest grain crop on record.

14. Whether the above forecast of 1972 total grain output for the region or for individual countries stands will depend largely on conditions in August – harvesting conditions for small grains in the north and moisture conditions for corn in the south. If favorable weather fails to materialize during the balance of the growing and harvesting periods, further reductions in estimates of grain output will be in order. In addition to impinging on the overall size of the harvest, the continuation of wet harvesting conditions will add more poor-quality wheat and rye to that already harvested in Czechoslovakia, Hungary, and Yugoslavia.(5) This situation contrasts sharply with last year, when harvesting was carried out under ideal weather conditions, and the quality of grain – in terms of milling and protein content -- was excellent throughout Eastern Europe.

Outlook Good for Non-Grain Feed Crops

15. Production prospects are better than a year ago for important crops used as grain substitutes or as supplements in livestock feed rations, such as potatoes, fodder roots, and forage. This is particularly true for the major **northern producing countries**, where output of root crops last year was 20%-25% below average. Production increases for potatoes – 50% of output normally used for livestock feed – in this region should be able to compensate for the estimated downturn in feed grain output this year. In addition, improved soil moisture conditions in late July have benefited fall harvested forage crops in both the **northern** and **southern regions** except in parts of Hungary and Bulgaria.(6) First cuttings of hay were good throughout the region, and second cuttings should be excellent in the northern countries and Romania. For these countries, prospects of a good carryover of hay this winter could reduce feed grain requirements compared with a year ago. In addition, relatively good pastures in most countries in early spring and summer have reduced 1972 requirements for supplemental feeding of grain.

Probable Demand for Imported Grain

16. Eastern Europe's imports of grain in FY 1973 are unlikely to exceed last year's level of about 10 million tons even with nearly a 10%

5. Although there is increased capacity in 1972 for drying and handling grain, it is doubtful that drying capacity is still enough to cope with this year's excessive amount of wet grain. For example, Czech officials stated in late July that the moisture content of harvested grain was running as much as 11% above normal.

6. The latter two countries are not large users of root crops for feed, but both depend on forage crops and pasture -- currently suffering from poor moisture conditions -- to support livestock.

smaller grain harvest. An estimated decline in the large grain imports of the northern countries will be offset by stepped-up demand of the southern region (see Table 3). Czechoslovakia's imports of grain are not expected

Table 3

Eastern Europe: Estimated Total Import of Grain[a]

Thousand Metric Tons

Region and Country	Fiscal Year[b] 1968	1969	1970	1971	1972[c]	1973[d]
Northern						
Czechoslovakia	1,679	1,593	2,060	2,289	2,000	2,000
East Germany	1,697	1,682	2,050	3,250	3,200	3,000
Poland	1,966	1,793	2,444	3,061	3,000	2,700
Subtotal	5,342	5,068	6,554	8,600	8,200	7,700
Southern						
Bulgaria	193	614	145	184	0	400
Hungary	281	398	237	505	600	500
Romania	0	0	130	1,231	380	200
Yugoslavia	390	70	100	1,100	600	1,000
Subtotal	864	1,082	612	3,020	1,580	2,100
Total Eastern Europe	**6,206**	**6,150**	**7,166**	**11,620**	**9,780**	**9,800**

a. Including wheat, rye, barley, oats, corn, and sorghum.
b. Twelve-month period ending 30 June of the stated year.
c. Preliminary.
d. Forecast based on known sales, shipments, trade agreements, and estimated requirements as of July 1972.

to change, and those of East Germany and Poland may decline slightly from the high levels of the past two years. As indicated above, even in the face of a decrease of 6% in overall grain production, the expected boost in this's output of non-grain feed crops, taken together with a record high

carryover of grain stocks in Poland, will tend to maintain overall demand for grain imports for the northern countries at or below last year's level.(7)

17. The southern region, traditionally a large net grain exporting area, may be a net importer for the third successive year. This development has been brought about by programs to boost livestock production in support of both domestic and foreign trade plans. **Romania**, historically the largest grain exporter, is choosing to use available surplus grain as livestock feed in order to expand exports of livestock products. As a result, exports are unlikely to exceed 500,000 tons this year. Because the other southern countries – Hungary, Bulgaria, and Yugoslavia – are faced with significantly smaller grain harvests, mediocre forage crops, and larger numbers of livestock and poultry to feed than a year ago, they will be hard pressed to prevent grain imports from rising.

18. Of the southern countries, **Yugoslavia's** grain import requirements will be the largest because of a below-average wheat harvest combined with the need to stabilize domestic grain prices. Total imports during FY 1973 could reach one million tons, of which 600,000 to 800,000 tons will be wheat; none was imported last year. The United States already has agreed to a $70 million Commodity Credit Corporation credit for Yugoslavia to finance mostly grain purchases. **Hungarian** officials claim that this year's wheat harvest plus carryover stocks will be sufficient to cover domestic requirements. This statement, however, was made before the onset of mid-July rains and floods in western Hungary, which may leave an unusually large share of the wheat harvested suitable only for use as livestock feed. Thus original Hungarian plans to import one-half million tons of barley could change to include some milling-quality wheat. **Bulgarian** carryover stocks of wheat from the good 1971 crop should be sufficient to fulfill any deficit from this year's output. However, an expected shortfall in output of feed grains can be met only through imports. It is tentatively estimated that Bulgaria will import about 400,000 tons of feed grains, but if offered more favorable Western credit terms, imports might go higher. Officials admit that shortages of concentrated feed have been holding down output of livestock products for the past two years.

19. It is too early to know precisely how much or what type of grains Eastern Europe plans to purchase in non-Communist markets over the next 12 months. Nevertheless, there is no evidence to suggest that the USSR intends to supply Eastern Europe with more grain than in FY 1972 (an estimated 5 million tons). Czechoslovakia and Poland have both implied

7. Polish trade officials in early July indicated that grain imports might decline from 3 million tons last year to 1.5 million tons this year. Given the high priority on boosting meat output and prospects for a smaller grain harvest, such a large cutback appears unlikely unless grain reserves are to be depleted.

that grain imports from the USSR will stay at 1972 levels.[8] Thus, Eastern Europe may be in Western markets for 4.5 million to 5 million tons of grain over the next 12 months. In addition to grain, all of the countries except Romania will be interested in purchasing larger imports of high-protein supplements – oilcakes and meals, fishmeal, etc. – to support livestock programs demanding more and better quality industrial feed mixes. Rising prices for grain and protein supplements on world markets are unlikely to prevent most East European countries from purchasing needed amounts of these commodities to support their high-priority livestock programs.

8. The Soviets are likely to supply a larger than usual amount of their export commitments with Eastern Europe from recent US and Canadian wheat purchases. This would satisfy East European demand for milling-quality wheat and help reduce congestion of Soviet port facilities.